Information Technology Investment Fund

(LFB Budget Summary Document: Page 340)

LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #	Title
1,2,3	Information Technology Investment Fund Operations (Paper #500)

Agency: Info Technology Investment Fund

Staff Recommendations:

Jauch

Paper No. 500: Alternative 1 (no action needed)

Comments: FB seems to think that more money is needed (i.e. alt 2 or alt 3), but might as well go with the gov here and not tie up $4 million extra in GPR for something non-essential (plus then their would be $ for caucus projects). But, who really cares, and any of the alternatives would probably be ok (plus, Jauch and Panzer may want alt 2 - but his staff wasn't sure what he wanted to do here).

You may just want to talk to Jauch before meeting, and have him make the motion here.

****

For the item that FB didn't prepare a paper on, ***no action is needed****, since you are working off the gov's bill.*

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Information Technology Investment Fund Operations (Information Technology Investment Fund)

[LFB Summary: Page 340, #1 and #2 and Page 341, #3]

CURRENT LAW

The information technology investment fund (ITIF) is a segregated fund from which grants are provided to state agencies for information technology projects and upgrades. Revenue for the fund is generated from the bidders list registration fee which was established under 1995 Act 351 as the funding mechanism for ITIF grants and administrative costs. Base funding for the grants program is $5,000,000 SEG annually.

GOVERNOR

Transfer $2,000,000 GPR in 1997-98 and 1998-99 from the general fund to the ITIF. The 1997-98 transfer would occur on the effective date of the bill and the 1998-99 transfer would occur on July 1, 1998. Further, reduce base level funding for grants from the ITIF by $1,900,000 SEG in 1997-98 and $2,500,000 SEG in 1998-99.

Create nonstatutory language allowing DOA, notwithstanding current law, to award additional grants from the ITIF in 1997-98, based on applications received by the Secretary of DOA by March 1, 1997, or a later date as specified by the Secretary. Subsequent to the awarding of any such grants, the Secretary would be required to notify the Co-chairs of the Joint Committee on Finance, under a 14-day passive review process, of any proposed supplementation of agency appropriations required to allow expenditure of these subsequent grant awards.

DISCUSSION POINTS

1. The information technology investment fund (ITIF) was created in the 1995-97 biennial budget to provide grants to state agencies for information technology purchases related to improving state agencies' IT capabilities. Under the ITIF program, DOA annually awards grants to state agencies by May 15, for the following fiscal year. Following the award of grants, DOA is required to notify the Committee under s. 16.515, of any proposed supplementation of agency appropriations necessary to allow expenditure of the grant funds.

2. Revenue for the ITIF is provided from a voluntary $125 per year bidder's list registration fee charged to individuals who wish to automatically be notified of state bids in particular commodity areas and to have on-line access to bid specifications and vendor information. The fee for minority vendors and sheltered work centers is $65 annually. Vendors not wishing to register with the state may still bid on contracts, but are not automatically notified of bid announcements.

3. Table 1 below presents the estimated fund condition statement for the ITIF based only on the current expenditure commitments of the fund and using revenues from the bidders list registration fee at the collection levels currently estimated by DOA.

TABLE 1

Information Technology Investment Fund
Estimated Condition Statement Under Current Law

	1996-97	1997-98	1998-99
Revenues			
Opening Balance	$0	-$3,760,300	-$4,296,400
Bidders List Registration Fees	200,000	500,000	750,000
Total Available	$200,000	-$3,260,300	-$3,546,400
Expenditures			
Administration	$121,300	$121,300	$121,300
ITIF Grants	1,080,700	0	0
ITIF Master Lease Payments	1,308,400	914,800	914,800
VendorNet	552,100	0	0
Infrastructure Support Services	897,800	0	0
Total Expenditures	$3,960,300	$1,036,100	$1,036,100
Ending Balance	-$3,760,300	-$4,296,400	-$4,582,500

3. For 1997-98 and 1998-99, the estimated condition statement includes only those expenditures required to provide for administrative costs of the ITIF (bidders list registration fee mailings, fee collection and VendorNet assistance) so that fees can continue to be collected and

for the second and third years of 1996-97 grant commitments that were funded over three years through the state's master lease program. Further, these 1997-99 funding commitments have been adjusted to reflect the Governor's budget recommendation that 1996-97 grant commitments previously made to the Department of Revenue ($104,800 annually), the Department of Corrections ($177,500 annually) and several smaller agencies be converted to non-ITIF funding sources.

4. Under the Governor's budget recommendations, $2,000,000 GPR annually would be transferred from the general fund to the ITIF. Under this recommendation, the above estimated condition statement would then be recalculated as indicated in Table 2.

TABLE 2

Information Technology Investment Fund
Estimated Condition Statement with General Fund Transfer

	1996-97	1997-98	1998-99
Revenue			
Opening Balance	$0	-$3,760,300	-$2,296,400
Bidders List Registration Fees	200,000	500,000	750,000
General Fund Transfer	0	2,000,000	2,000,000
Total Available	$200,000	-$1,260,300	$453,600
Expenditures			
Administration	$121,300	$121,300	$121,300
ITIF Grants	1,080,700	0	0
ITIF Master Lease Payments	1,308,400	914,800	914,800
VendorNet	552,100	0	0
Infrastructure Support Services	897,800	0	0
Total Expenditures	$3,960,300	$1,036,100	$1,036,100
Ending Balance	-$3,760,300	-$2,296,400	-$582,500

5. Because of the current negative cash balance in the fund, DOA has made in 1996-97 an interfund transfer of $3,957,700 from its telecommunications appropriation to the ITIF to provide adequate operating cash balances until the revenues to the ITIF increase.

6. The following questions may be raised regarding the condition of the ITIF, projection of future revenues and the appropriate level of expenditures to be set for the ITIF for the 1997-99 biennium:

- What is the likely amount of revenues to be generated from the fees established to support grants from the ITIF?

- What is the purpose of the Governor's transfer of the $2 million GPR in each year the next biennium to the ITIF? and

- Since the level of grants and other releases made from the ITIF in 1996-97 have already created funding commitments far in excess of the current and projected level of revenue collections to the fund, should any additional grant funding be made until sufficient revenues have been collected to place the fund in a positive situation?

The above questions are examined in the following discussion points.

Future Level of Revenues

7. The source of revenue for the ITIF is the bidders list registration fee. DOA currently estimates that the fee will generate a total of $200,000 in 1996-97, $500,000 in 1997-98 and $750,000 in 1998-99. Through May 9, 1997, the fee had generated $124,120. Service charges from the investment pool reduce the total available to the fund to $119,082. Given the fund's current pattern of revenue collection this year, it appears unlikely that $200,000 will be generated in 1996-97. Based on year-to-date trends, total revenues of approximately $160,000 would be estimated for 1996-97. If current collection trends are projected forward, estimated total fee collections of $240,000 annually would be projected for 1997-98 and 1998-99.

8. The Department's revenue estimates for the 1997-99 biennium are premised on the use of a "more aggressive marketing strategy" for the bidder's list registration. DOA intends to make vendors more aware of the benefits of registering (electronic notification of bids, access to the state's internet procurement system (VendorNet), the ability to download bid documents, e-mail service to state purchasing managers and the ability to register only once to do business with all state agencies). Through this marketing strategy, DOA expects to increase the number of bidders paying the registration fee and therefore the amount of revenue to the ITIF.

9. Information technology investment fund grants for 1996-97 were made based estimated revenues ($4.3 million) that have not materialized. The lower revenues may be explained to some degree by the fact that collection of the bidder's list registration fee did not begin until November, 1996. More fundamentally, however, the lower revenues are simply the result of participation being significantly less (996 registered vendors through April, 1997) than the level anticipated (35,000 registered vendors during the year).

10. While the fee has only been collected for six months, participation to date is dramatically less than anticipated. Therefore, a more cautious approach to estimated revenues could be taken. Further, the impact of DOA's "marketing strategy" on the amount of revenue raised is unknown. As a result, the Committee could consider using revenue estimates for the next biennium based on current trends ($240,000 per year). This would mean that under the estimated condition statement portrayed in Table 1 above, the projected negative June 30, 1999, ending balance of the fund would be about $770,000 larger than shown in that table.

Governor's Proposed General Fund Transfer

11. As noted, the fund condition statements shown in Tables 1 and 2 above do not reflect the fiscal effect of any new ITIF grants being made in 1997-98 or 1998-99. The bill provides total expenditure authority from the ITIF of $3,100,000 SEG in 1997-98 and $2,500,000 SEG in 1998-99. Given the already committed expenditures from the fund (ITIF administration costs and master lease payments totalling $1,036,100 SEG annually), only $2,063,900 SEG in 1997-98 and $1,463,900 SEG in 1998-99 in expenditure authority would be available for additional ITIF grants.

12. DOA indicates that in order to support these costs, the Governor has recommended transferring $2,000,000 annually from the general fund to the ITIF. It is argued that the transfer represents a "reasonable" investment that will allow existing master lease costs to be funded and some agency information technology needs to be addressed through additional grants. But even using the higher level of revenue collections estimated by DOA for 1997-99 and the $2 million GPR per year transfer to the ITIF recommended by the Governor, the balance in the fund would not be sufficient to support this level of grant expenditures since the fund would still have a negative balance of $582,500 without any additional expenditure for new grant awards.

Continued Operation of the ITIF

13. The ITIF was created to provide funding to state agencies for information technology projects that address legislatively-identified priorities based on a review and approval of grant applications by DOA. In particular, it was aimed at providing a source of revenue for smaller agencies, particular GPR-funded agencies who had limited resources, to finance IT improvement in the face of the increasingly limited availability of additional GPR funding for such agencies. It was hoped that the creation of a separate fund, with its own source of revenue, would be able to assist these agencies in upgrading their IT infrastructure. In 1996-97, 27 different agency received ITIF grants for information technology projects including basic technology infrastructure, interactive voice response systems, scheduling and distance education.

14. However, concerns about the ITIF's solvency can be raised. Without additional supplemental support in the 1997-99 biennium, the fund will continue to be in deficit relative to collected revenues. Given that master lease costs are contractual arrangements and that ITIF administration provides services to vendors who pay the bidder's list registration fee, the $1,036,100 annually for these items identified in the condition statement is necessary. However, the use of GPR funds to support a fund whose whole concept was to have an independent funding stream seems contradictory to the purpose of having the separate fund. The question may be raised that if some of the $4 million GPR is to be expended on new IT projects, why not appropriate those funds directly to the requesting agencies?

15. On March 6, 1997, the Secretary of DOA notified state agencies that nonstatutory language had been included in the budget bill that would allow DOA, notwithstanding current

law, to award ITIF grants in 1997-98, based on applications received by the Secretary of DOA by March 1, 1997, or a later date as specified by the Secretary. Under the bill, subsequent to the awarding of any such grants, the Secretary would be required to notify the Co-chairs of the Joint Committee on Finance, under a 14-day passive review process, of any proposed supplementation of agency appropriations associated with the awarded grants. In his March 6 letter, the Secretary indicated that, in accordance with the budget bill provision, DOA would therefore not begin the grant application process for 1997-98 until after passage of the budget bill. According to the letter, the provision was included to have the grant cycle for 1997-98 be aligned with the passage of the budget.

16. The experience to date regarding revenues raised from the bidder list registration fee indicates that the initial revenue estimates were substantially overstated and consequently expenditure commitments already made have created a negative balance in the fund. With more experience and DOA's planned enhancement of its marketing efforts, it is possible that, over time, the number of bidders participating may increase substantially. At this point, however, the fund has a substantial debt that needs to be repaid from fee revenues.

17. The Committee could adopt the following alternative approach for ITIF operation for the 1997-99 biennium:

- Do not provide for the transfer of $2,000,000 GPR per year from the general fund to the ITIF.

- Assume revenue collections of $160,000 in 1996-97 and $240,000 in 1997-98 and in 1998-99.

- Reduce expenditure authority for the ITIF by a total of $3,963,900 SEG in 1997-98 and in 1998-99.

- Do not include the session law language allowing DOA to make supplemental grants from the ITIF.

- Create session law language providing that, notwithstanding the ITIF statutory grant provisions, no new grants under the ITIF may be made after May 1, 1997, until the revenues to the fund from bidder's list registration fees have restored the fund to a positive balance and are sufficient to support a new round of grants. Provide that DOA may request approval from the Joint Committee on Finance under a 14-day passive review process to initiate a new round of grants under the statutory requirements when it can demonstrate to the Committee's satisfaction that fund revenues are sufficient to meet these requirements.

18. The following condition statement for the ITIF would be projected under this alternative approach:

TABLE 3

Information Technology Investment Fund
Estimated Condition Statement Under Alternative

	1996-97	1997-98	1998-99
Revenues			
Opening Balance	$0	-$3,800,300	-$4,596,400
Bidders List Registration Fees	160,000	240,000	240,000
Total Available	$160,000	-$3,560,300	-$4,356,400
Expenditures			
Administration	$121,300	$121,300	$121,300
ITIF Grants	1,080,700	0	0
ITIF Master Lease Payments	1,308,400	914,800	914,800
VendorNet	552,100	0	0
Infrastructure Support Services	897,800	0	0
Total Expenditures	$3,960,300	$1,036,100	$1,036,100
Ending Balance	-$3,800,300	-$4,596,400	-$5,392,500

19. The above table is based on the following: (a) revenues in 1997-99 at the current annualized level of collections ($240,000); (b) grant expenditures in 1997-98 and 1998-99 only for: (1) the cost of administering the ITIF ($121,300 SEG per year) and (2) the second and third year payments of the master lease commitments ($914,800 SEG per year) made as a part of the ITIF grants awarded in 1996-97. Grant expenditure authority from the fund would be set at $1,036,100 SEG per year.

20. The argument for this approach would be that no future grant awards should be made until sufficient revenues have been collected to cover the past funding commitments (the projected negative balance in the table above) and to cover another round of grants. Exactly how long the grant suspension would remain in effect would depend on the revenue collection experience. However, in the event that higher revenue collections do not develop in the next biennium, the continued operation of the ITIF might have to be further examined in the succeeding biennial budget. Under this alternative, DOA would be required to address any difference between revenues collected and expenditures using additional interfund transfers.

21. Another alternative approach the Committee could consider would be to suspend further grant activities, directly fund with GPR the required ITIF expenditures in the 1997-99 biennium and allow the ITIF to continue to accrue future revenues to offset its current negative balance. Under this alternative, a separate GPR appropriation would be created, for 1997-98 and 1998-99 only, for 1997-99 ITIF required expenditures and $1,036,100 GPR annually would be provided. Further, DOA would be directed to suspend further grant activities from the ITIF until the negative balance in the fund has been eliminated and the Committee approves the restoration

of ITIF grant activities. As a result, commitments of the fund in 1997-99 for previously-ma grant commitments and for ITIF administrative costs in 1997-99 could be addressed and yet not increase the fund deficit, while the future solvency of the fund would depend on DOA's actions to generate additional revenues.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to transfer $2,000,000 GPR in 1997-98 and 1998-99 from the general fund to the information technology investment fund on the effective date of the bill and on July 1, 1998. Further, reduce base level funding for ITIF grants from the fund by $1,900,000 SEG in 1997-98 and $2,500,000 SEG in 1998-99. Also, create nonstatutory language allowing DOA, notwithstanding current law, to award additional grants from the ITIF in 1997-98, based on applications received by the Secretary of DOA by March 1, 1997, or a later date as specified by the Secretary. Specify that subsequent to the awarding of any such grants, the Secretary would be required to notify the Co-chairs of the Joint Committee on Finance, under a 14-day passive review process, of any proposed supplementation of agency appropriations associated with the awarded grants.

2. Modify the Governor's recommendation by: (a) deleting the proposed transfer of $2,000,000 GPR per year from the general fund to the ITIF; (b) estimating SEG revenue collections of $240,000 in 1997-98 and 1998-99; (c) further reducing base level expenditure authority for the ITIF by $2,063,900 SEG in 1997-98 and $1,463,900 SEG in 1998-99; (d) deleting the session law provision allowing DOA to make supplemental grants in 1997-98 from the ITIF; (e) including session law language to provide that, notwithstanding the ITIF statutory grant provisions, no grant awards from the ITIF may be made after May 1, 1997, except for continuation of commitments made in awarding 1996-97 ITIF grants and awards for the continued cost of administering the ITIF; and (f) specifying in the session law provision that new grants may be awarded under the ITIF only after DOA has received approval from the Joint Committee on Finance under a 14-day passive review process to initiate a new round of grants and that such approval by the Committee shall be conditioned on DOA demonstrating to the Committee's satisfaction that sufficient revenues from bidders list registration fees have been collected to restore the fund to a positive balance and will be sufficient to support a new round of grants.

Alternative 2	GPR	SEG	TOTAL
1997-99 REVENUE (Change to Bill)	$4,000,000	- $770,000	$3,230,000
1997-99 FUNDING (Change to Bill)	$0	- $3,527,800	- $3,527,800

3. Modify the Governor's recommendation by: (a) deleting the proposed transfer of $2,000,000 GPR per year from the general fund to the ITIF; (b) creating a GPR appropriation,

for the 1997-99 biennium only, to fund current previously-made 1997-99 grant commitments of the fund and for fund administrative costs, and provide $1,036,100 GPR annually in the new appropriation; (c) further reducing base SEG expenditure authority for the ITIF by $3,100,000 SEG in 1997-98 and by $2,500,000 SEG in 1998-99; (d) estimating SEG revenue collections of $240,000 in 1997-98 and 1998-99; (e) deleting the session law provision allowing DOA to make supplemental grants in 1997-98 from the ITIF; (f) including session law language to provide that, notwithstanding the ITIF statutory grant provisions, no grant awards from the ITIF may be made after May 1, 1997; and (g) specifying in the session law provision that new grants may be awarded under the ITIF only after DOA has received approval from the Joint Committee on Finance under a 14-day passive review process to initiate a new round of grants and that such approval by the Committee shall be conditioned on DOA demonstrating to the Committee's satisfaction that sufficient revenues from bidders list registration fees have been collected to restore the fund to a positive balance and will be sufficient to support a new round of grants.

Alternative 3	GPR	SEG	TOTAL
1997-99 REVENUE (Change to Bill)	$4,000,000	- $770,000	$3,230,000
1997-99 FUNDING (Change to Bill)	$2,072,200	- $5,600,000	- $3,527,800

MO# Alt 3

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
/ JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 15 NO 0 ABS 1

INFORMATION TECHNOLOGY INVESTMENT FUND

LFB Summary Item for Introduction as Separate Legislation

Item #	Title
4	Grant Criteria and Administrative Rules

Insurance

(LFB Budget Summary Document: Page 342)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
5	Minor Policy and Technical Changes -- Create Administrative Services Unit and Appropriation (Paper #505)
6b	Information Technology Initiatives -- IT Contracting Costs (Paper #506)
6c	Information Technology Initiatives -- Records Imaging (Paper #507)
7	Increased Staffing (Paper #508)
8	Increase Travel Costs Funding (Paper #509)
9	Expansion of Information Technology Internship Program (Paper #510)
11	Increased Funding for Actuarial Services (Paper #511)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Minor Policy and Technical Changes -- Create Administrative Services Unit and Appropriation (Insurance)

[LFB Summary: Page 349, #5]

GOVERNOR

Provide $2,353,900 PR annually to create an internal administrative services unit within OCI and create a separate appropriation for this purpose. Provide that this unit would provide administrative and other support services to all the other parts of the agency including those programs funded from segregated funds. The administrative unit would assess all the other parts of the agency for their proportional cost of the administrative services unit budget and these assessment revenues would be accredited to the new appropriation.

Also, delete $100,000 PR annually from the agency's general program operation appropriation and shift $2,253,900 PR annually to fund the assessments for the services of the administrative unit. In addition, shift 22.0 existing positions from the agency's general program operation appropriation to the new administrative support unit appropriation.

Further, provide an increase in annual expenditure authority of $90,000 SEG for the patient's compensation fund, $10,000 SEG for the local government property insurance fund and $20,000 SEG for the state life insurance fund to allow these programs to pay for their share of administrative overhead costs of service provided by the administrative services unit.

MODIFICATION TO BASE

Transfer $2,253,900 PR annually from the permanent position salaries and fringe benefits, LTE funds, supplies and services and permanent property lines within the agency's general program operations appropriation to a separate chargeback line in the same appropriation to correctly reflect the Governor's recommendation that the general program operations appropriation fund this amount of the assessment for the services of the administrative unit.

> **Explanation:** The Governor's budget recommendations include a provision to allow OCI to establish an administrative services unit within OCI which would provide administrative and other support services to all the other parts of the agency. Under the bill, the unit would assess the other parts of the agency for their proportional costs of the administrative services unit budget and these assessment revenues would be credited to the new appropriation. The funding to be provided from the agency's general program operations appropriation was not appropriately transferred from salary, fringe benefits, LTE, supplies and services and the permanent property lines within the agency's general program operations appropriation. This modification would transfer the funding to be provided within the agency's program operations appropriation for the administrative services unit to a separate line within the appropriation for the cost of assessments for administrative services unit support chargebacks.

Prepared by: Tricia Collins

MO# modification

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 15 NO 0 ABS 1

OFFICE OF THE COMMISSIONER ON INSURANCE

Transfer of Office to Department of Financial Institutions

Motion:

Move to make a limited purpose attachment under s. 15.03 to the Department of Financial Institutions (DFI) of an Office of Insurance (OCI). Create separate appropriations under DFI to reflect the transfer of the appropriations currently under the Office of the Commissioner of Insurance to the new Office of Insurance under DFI. Continue all existing program responsibilities and functions of the Office of the Commissioner of Insurance under the new Office of Insurance except for the Office of Health Care Information and responsibility for the HIRSP program. All personnel and budget requests by the Office would be processed and forwarded by DFI without change except as requested and concurred in by the Office.

Repeal the Commissioner of Insurance position (-$115,500 PR annually and -1.0 PR position) and create an unclassified director position (assigned to executive salary group 3) for the Office of Insurance ($71,200 PR annually and 1.0 PR position). Provide that the director shall be nominated by the Governor, and with the advice and consent of the Senate appointed, to serve at the pleasure of the Governor. Further, delete the following 5.0 positions currently in the Commissioner's Office in OCI from the new Office of Insurance: deputy commissioner, attorney, public information officer, program and planning analyst and program assistant (-$294,700 PR annually and -5.0 PR positions). In addition, delete the following 5.0 positions currently in the Administrator's Office in the Division of Administrative Services in OCI from the new Office of Insurance: division administrator, personnel manager, payroll and benefits specialist, training officer and accountant (-$255,800 PR and -$11,300 SEG annually and -4.75 PR and -0.25 SEG positions.)

Require the Department of Financial Institutions to submit a request by January 1, 1998, to the Joint Committee on Finance under s. 16.515 containing additional staffing reductions that it recommends can be achieved in the Office of Insurance as a result of the transfer of OCI to a new Office of Insurance attached to DFI.

Note:

This motion would establish an Office of Insurance, excluding the Office of Health Care Information and responsibility for HIRSP program, as an office attached to the Department of Financial Institutions (DFI) for administrative purposes. The limited purpose attachment under

(over)

s.15.03 would provide that the Office would be attached to DFI, but would be a distinct unit within the agency similar to the Office of the Credit Unions. The position of Commissioner of Insurance would be deleted and a new director of the Office of Insurance position would be created and would be nominated by the Governor, and with the advice and consent of the Senate appointed, to serve at the pleasure of the Governor. Under the limited purpose attachment, the Office of Insurance would continue to exercise the powers, duties and functions prescribed by law within the area of insurance program responsibility, but program coordination and related management functions would be performed under the direction and supervision of the head of the agency to which the Office is attached, in this case the Secretary of the DFI. All personnel and budget requests by the Office would be processed and forwarded by DFI without change except as requested and concurred in by the Office.

In addition, this motion making the transfer to DFI would eliminate 5.0 existing positions in the Commissioner of Insurance's Office in OCI, and 5.0 existing positions from the current Division of Administrative Services in OCI.

Finally, DFI would be required to submit a request to the Joint Committee on Finance in January 1, 1998, under s.16.515 recommending additional staffing reductions that can be made within the Office of Insurance as a result of its attachment to DFI.

[Change to Base: -$1,189,600 PR and -$22,600 SEG and -9.75 PR and -0.25 SEG positions]

MO# 1536

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 JENSEN	Y	N	A
2 OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 6 NO 10 ABS 1

 (over)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Information Technology Initiatives -- IT Contracting Costs (Insurance)

[LFB Summary: Page 349, #6b]

CURRENT LAW

The Office of the Commissioner of Insurance (OCI) currently has the following informational technology support staff: two technical support positions and four analyst/programmer positions. The agency has began the conversion of its current IT proprietary system (WANG) to a client-server type of architecture and is also participating, along with a consortium of states, in developing a program for allowing insurers to file forms with state insurance regulators electronically.

GOVERNOR

Provide funding for contracting and permanent property costs associated with converting the agency's current IT propriety system to a client-server type of architecture. The recommendation consists of monies for: (1) on-going funds for the cost of the equivalent of two contracted programmer staff ($167,000 PR annually); and (2) one-time funding ($522,600 PR in 1997-98 and $250,600 PR in 1998-99) for the cost of three additional programmers, and the purchase of three application servers and Oracle database and tools).

Also, provide funding for contract staff to develop a multistate system electronic rate and form filing program (SERFF) in the Bureau of Market Regulation. The recommendation consists of monies for: (1) the cost of contracting for programming staff to develop the new program ($65,900 PR in 1997-98 and $87,100 PR in 1998-99); (2) one-time funding ($43,000 PR in 1997-

98 for permanent property costs associated with the project; and (3) on-going supplies and services funding ($3,300 PR in 1997-98 and $7,300 PR in 1998-99).

DISCUSSION POINTS

Client Server System Migration

1. The Governor's budget recommendations would provide OCI with increased expenditure authority on an on-going basis for the services of two contracted programmers ($167,000 PR annually). Under the Governor's recommendation, in 1997-99 these programmers would work on converting the agency's IT system to a client-server type of architecture.

2. The agency indicates that conversion of its database began in 1996-97 and the additional funding requested for hardware and contractors would allow the completion of this project in a two-year period. It is stated that if only base money were to be used for the conversion, it would take an estimated five years to complete the conversion using just its existing IT staff.

3. The need to proceed quickly with the conversion of the agency's database from the existing propriety system to the new client service type system seems well-documented and needed. However, the Committee may wish to consider whether expenditure authority for these contracting costs should be built into the agency's on-going budget base when the agency believes that the conversion can be completed in 1997-99 with the requested funding. The agency has indicated it would use the on-going contractual funding for future IT projects. However, it could be argued that the agency should justify the need for expenditure authority for these future projects as a part of the next biennial budget cycle.

4. The Committee could shift these contracting costs to one-time funding. The agency would then have to specifically identify the projects for which additional IT contracting costs are being requested, and the amount of funding required, in the next biennium.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to adjust the agency's base by providing expenditure authority for contracting costs involved in converting the agency's current IT proprietary system to a client server type of architecture as follows: (a) on-going funding for two contracted programmers ($167,000 PR annually); and one-time funding ($522,600 PR in 1997-98 and $250,600 PR in 1998-99) for three additional programmers and the purchase of three application servers and Oracle database and tools).

Alternative 1	PR
1997-99 FUNDING (Change to Base)	$1,107,200
[Change to Bill	*$0]*

2. *Modify Alternative 1* to provide that all the funds would be provided as one-time funding in 1997-99.

Alternative 2	PR
1997-99 FUNDING (Change to Base)	$1,107,200
[Change to Bill	*$0]*

3. Maintain current law.

Alternative 3	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $1,107,200]*

System for Electronic Rate and Form Filing (SERFF)

1. The Governor's budget includes increased expenditure authority ($65,900 PR in 1997-98 and $87,100 PR in 1998-99) for contracting staff to develop a system for OCI's participation in a multistate electronic rate and form filing program. This program would allow forms, required to be submitted by insurers to OCI, to be filed electronically.

2. The Governor recommended that the additional funds be used to contract for staff to develop and implement this program. However, the expenditure authority for contracting for programming staff is provided in the permanent positions and fringe benefits lines rather than the supplies and services line of the agency's general program operations appropriation. In order to correctly reflect the Governor's recommendation that the agency use contractual programming staff rather than additional state positions, $65,900 PR in 1997-98 and $87,100 PR in 1998-99, should be shifted from the permanent positions salary and fringe benefits lines within the agency's general program operations appropriation to the supplies and service line of that appropriation.

3. The Committee may also wish to consider clarifying whether the funds for contracting costs should be one-time or on-going. The agency suggested that this new system will require additional specialized staff and on-going network hardware and software support. However, the Governor's budget recommendation implies that funding is of a one-time nature since it is stated in the Governor's budget book that the funds are to be used to contract for staff

for development of the new system. Because this project is still in the pilot stage and development of the software is still in progress, it could be argued that until this first phase of the project is completed all the development costs should be provided as one-time. The agency would have the opportunity to request continued expenditure authority in the next biennial budget request if that is determined to be necessary. Under this alternative, only a small amount of the funds ($3,300 PR in 1997-98 and $7,300 PR in 1998-99) for continuing supplies and service costs would be provided as on-going funding.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation for funding for contract staff to develop a multistate system electronic rate and form filing program in the Bureau of Market Regulation ($112,200 PR in 1997-98 and $94,400 PR in 1998-99), with the modification that the funding provided for permanent positions and fringe benefits be moved to the supplies and services line to reflect that the funding is being provided for contracting costs and not additional permanent staff.

Alternative 1	PR
1997-99 FUNDING (Change to Base)	$206,600
[Change to Bill	*$0]*

2. *Modify Alternative 1* to provide that all of the funding for this item would be provided as one-time funding in 1997-99 except for $3,300 PR in 1997-98 and $7,300 PR in supplies and services costs which would be provided as on-going funding.

Alternative 2	PR
1997-99 FUNDING (Change to Base)	$206,600
[Change to Bill	*$0]*

3. Maintain current law.

Alternative 3	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $206,600]*

Prepared by: Tricia Collins

MO# ~~Alt 2~~ (A)
Alt 2 (B)

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Information Technology Initiatives -- Records Imaging (Insurance)

[LFB Summary: Page 349, #6c]

CURRENT LAW

No provision.

GOVERNOR

Provide $160,300 PR in 1998-99 in unallotted reserve for possible imaging projects for OCI's agent licenses and central files and for policyholder files under the state life insurance fund. Require that feasibility studies must first be conducted for the projects and then, with DOA approval, funds may be released from unalloted reserve for expenditure by the agency.

DISCUSSION POINTS

1. The agency had requested funding for the following IT imaging projects:

- *Agent Licenses.* $160,300 PR in 1998-99 for the imaging of both current and future agent license applications. Under this request, OCI indicated it would create a process to image new applications, scan information into the agent licensing system and issue or deny licenses electronically.

- *Policyholder Files in SLIF.* $94,500 SEG in 1997-98 and $3,000 SEG in 1998-99 for imaging State Life Insurance Fund (SLIF) policyholders' file contents. In addition, incoming mail would be scanned into the system upon receipt and linked to the respective policy.

- *Central Files.* $94,000 PR in 1998-99 for the implementation of imaging technology for OCI's central file records. These records contain such item as insurance companies' financial documents, examination reports and articles and bylaws.

2. The Governor's recommendation would provide additional funding ($160,300 PR in 1998-99) for imaging projects for agency licenses, central files and policyholder files under that State Life Insurance Fund (SLIF). However, the Governor's recommendation also requires that feasibility studies must be conducted for the projects, and then, with DOA approval, funds may be released from unalloted reserve for expenditure by the agency. It should be noted, however, that any imaging project for SLIF would be from SEG funding, not PR funds.

3. The agency is engaged in an aggressive IT plan. In the past few years, OCI has undertaken and/or is currently involved in a number of IT projects such as complaint imaging, legal system programming and producer licensing design. In addition, under the budget bill, OCI has additional work efforts funded for completion of the complaints imaging project, implementation of a new electronic filing enhancement project, and state life insurance fund computer enhancements.

4. The Governor's recommendation requiring further feasibility studies before OCI proceeds with these additional projects appears to take this into account. In addition, the Governor's budget provides funding in DOA for the Division of Technology Management to form an expert imaging team to provide detailed review of agencies' proposed imaging projects and assist in the design and implementation of agency imaging systems. The Committee may wish, therefore, to consider whether it believes that further legislative review of these three additional imaging projects is warranted before any funding is released.

5. The Committee could consider placing the amount recommended by the Governor, ($160,300 PR), in reserve in the Joint Committee on Finance's PR appropriation for release by the Committee under s. 16.515 after the feasibility studies are completed.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide $160,300 PR in 1998-99 for imaging projects for agent licensing and the agency's central files and for policyholder files under the State Life Insurance Fund in unalloted reserve for release later by DOA upon completion of feasibility studies of the projects.

Alternative 1	PR
1997-99 FUNDING (Change to Base)	$160,300
[Change to Bill	*$0]*

2. Adjust the Joint Committee on Finance's base PR budget in 1998-99 by $160,300 PR to provide this amount in reserve for OCI imaging projects for OCI agent licenses, central files and SLIF policyholder files with the release of funds to OCI to take place under s. 16.515 upon completion of feasibility studies of one or more of these imaging projects.

Alternative 2	**PR**
1997-99 FUNDING (Change to Base)	$160,300
[Change to Bill	*$0]*

3. Maintain current law.

Alternative 4	**PR**
1997-99 FUNDING (Change to Bill)	$0
[Change to Bill	*- $160,300]*

Prepared by: Tricia Collins

MO# Alt. 2

2	BURKE	Y	N	A
	DECKER	Y	N	A
	GEORGE	Y	N	A
	JAUCH	Y	N	A
	WINEKE	Y	N	A
	SHIBILSKI	Y	N	A
	COWLES	Y	N	A
	PANZER	Y	N	A
1	JENSEN	Y	N	A
	OURADA	Y	N	A
	HARSDORF	Y	N	A
	ALBERS	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	LINTON	Y	N	A
	COGGS	Y	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Increased Staffing (Insurance)

[LFB Summary: Page 350, #7]

CURRENT LAW

The Bureau of Financial Analysis and Examination in the Office of the Commissioner of Insurance (OCI) is responsible for monitoring the financial condition of all insurers licensed to market insurance in Wisconsin. Monitoring includes the field examination of the companies and the analysis of financial statements and other documents submitted by the companies to OCI. The Bureau has base level staffing of 33.0 FTE PR positions.

GOVERNOR

Provide additional funding above the base of $111,900 PR in 1997-98 and $119,000 PR in 1998-99 and 3.0 positions in the Financial Analysis and Examination Bureau. Funding would be provided for: (1) two financial examiners ($83,000 in 1997-98 and $89,700 in 1998-99); and (2) one program assistant ($28,900 in 1997-98 and $29,300 in 1998-99).

DISCUSSION POINTS

A. Financial Examiner Positions

1. The Bureau of Financial Examination and Analysis currently has the following positions: a director, three supervisors, three advanced examiners, 23 examiner/analyst positions and three support staff positions.

2. OCI requested four financial examiners in its budget submittal. The agency indicated that this number of positions was requested based on its analysis of the total number of positions needed to provide what it believes would be an optimal examination frequency cycle for domestic insurers and also complete the other functions of the Bureau. The Governor's recommendation would provide $83,000 GPR in 1997-98 and $89,700 PR in 1998-99 and 2.0 financial examiner positions. This recommendation was apparently based on the number of additional examiners the agency indicated it needed to maintain the current examination frequency schedule.

3. The statutes do not specify any required frequency of examinations. However, OCI has promulgated an administrative rule which requires that domestic insurers be examined at least every five years. The National Association of Insurance Commissioners (NAIC) imposes a similar five-year frequency under its standards for accreditation of state insurance departments. The actual frequency of examinations of individual companies conducted by the Bureau varies according to its assessment of the financial risk associated with the different types of domestic insurers, the financial status of individual insurance companies and length of time since the company's previous examination. Current exam frequency ranges from once every three years for HMOs and to almost once every five (4.9) years for town mutual insurers and fraternal companies. However, OCI notes that, for example, some HMOs may require an examination after only two years due to financial problems or significant operational changes.

4. OCI is clearly meeting the frequency requirement required under its administrative rule and by NAIC for accreditation. However, the agency feels that the optimum cycle would provide for more frequent examinations, ranging from an examination average of once every 2.8 years for HMOs to once every 4.5 years for town mutual insurers and fraternal companies. The agency argues that the optimum cycle would allow the Bureau of Financial Analysis and Examination to identify earlier those insurers indicating current or future financial problems, allowing for corrective action to be implemented on a more timely basis.

5. In its 1997-99 budget request, the agency estimated that four additional examiners were needed to allow the Bureau to achieve its desired optimal examination cycle. However, in estimating its staffing needs, the agency did not include its three advanced examiner positions as staff currently available perform analysis and examinations on domestic companies. The agency indicated that these three advanced examiners were not included because they do not routinely go out into the field to conduct exams. Rather, the agency indicated that they work on examination of companies in certain, more specialized areas such as loss reserves and insurance company mergers and acquisitions.

6. Even if the advanced examiners' work may be limited to certain, more specialized areas, they are providing examination and analysis staff assistance relative to the overall number of domestic companies to be examined and assisting with overall examination effort. If the advanced examiners were not available to provide assistance in their specialized areas the other examiners would have to also be responsible for that function. Conversely, if these specialized

areas were not examined by the advanced examiners, those positions would be available to provide additional field staff to handle the general examination workload. Therefore, it can be argued that the advanced examiners should be included in the calculation of the current number of staff available to perform examinations and analysis. It may be further noted that NAIC staff, as part of a pre-accreditation review of the agency, took a similar view that there were 26 examiners available to examine and analyze domestic insurers.

7. If the advanced examiners are included in the count of current financial examiner staff and the same staffing need methodology as the agency used is used to then recompute its staffing needs, this analysis indicates that there would be no staffing addition to the agency base budget required if the current exam frequency schedule were to be maintained. Alternatively, if the agency's desired higher optimal exam frequency schedule were used for staffing needs determination, a need for one additional financial examiner position would be indicated.

8. The Committee could make no changes to the base for additional financial examiner staff on the basis that there is no estimated need under the current examination frequency when using the 26 existing examiner staff. Alternatively, the Committee could provide an additional $41,500 PR in 1997-98 and $44,900 PR in 1998-99 to provide one additional financial examiner position to allow the agency to meet its optimal examination frequency schedule.

ALTERNATIVES TO BASE

A1. Approve the Governor's recommendation to adjust the base budget by providing $83,000 PR in 1997-98 and $89,700 PR in 1998-99 and 2.0 FTE financial examiner positions for the Bureau of Financial Analysis and Examination.

Alternative A1	PR
1997-99 FUNDING (Change to Base)	$172,700
[Change to Bill	*$0]*
1998-99 POSITIONS (Change to Base)	2.00
[Change to Bill	*0.00]*

A2. Adjust OCI's base budget by providing $41,500 PR in 1997-98 and $44,900 PR in 1998-99 and 1.0 FTE financial examiner position for the Bureau of Financial Analysis and Examination.

Alternative A2	PR
1997-99 FUNDING (Change to Base)	$86,400
[Change to Bill	- $86,300]
1998-99 POSITIONS (Change to Base)	1.00
[Change to Bill	- 1.00]

A3. Maintain current law.

Alternative A3	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	- $172,700]
1998-99 POSITIONS (Change to Base)	0.00
[Change to Bill	- 2.00]

B. Program Assistant Position

9. Currently, the Bureau of Financial Analysis and Examination has 3.0 FTE program assistants, with 1 FTE position actually being filled by two individuals at 0.5 FTE each. These assistants perform various clerical duties including entering data received from companies and organizing materials.

10. The Governor's recommendation provides additional funding above the base of $28,900 PR in 1997-98 and $29,300 PR in 1998-99 for one additional program assistant position for the Bureau.

11. The agency indicated in its budget request that an additional program assistant was needed to: (a) reduce the workload of the two 0.5 FTE program assistants, who, during 1995-96, worked total hours equivalent to 1.35 FTE; and (b) compensate for the growth in duties of the Bureau as well as unburden the financial examiners from certain clerical duties which takes time any from their main duties.

12. It could be argued that the current staffing needs of the Bureau appear to be being met using existing staff who can work extra hours using funds from the agency's base budget. The Committee could make no addition to the current staffing level in this area.

13. Alternatively, the Committee may feel that, based on the additional hours currently being worked by the two half-time positions (approximately 0.35 FTE), some additional program assistant help is needed. The Committee could provide additional funding of $14,500 PR in 1997-98 and $14,700 PR in 1998-99 for a 0.5 FTE program assistant position for the Bureau.

ALTERNATIVES TO BASE

B1. Approve the Governor's recommendation to adjust the base budget by providing $28,900 PR in 1997-98 and $29,300 PR in 1998-99 and 1.0 FTE program assistant position for the Bureau of Financial Analysis and Examination.

Alternative B1	PR
1997-99 FUNDING (Change to Base)	$58,200
[Change to Bill	*$0]*
1998-99 POSITIONS (Change to Base)	1.00
[Change to Bill	*0.00]*

B2. Adjust OCI's base budget by providing $14,500 PR 1998-99 and $14,700 PR in 1998-99 and 0.5 FTE program assistant position for the Bureau of Financial Analysis and Examination.

Alternative B2	PR
1997-99 FUNDING (Change to Base)	$29,200
[Change to Bill	*- $29,000]*
1998-99 POSITIONS (Change to Base)	0.50
[Change to Bill	*- 0.50]*

B3. Maintain current law.

Alternative B3	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $58,200]*
1998-99 POSITIONS (Change to Base)	0.00
[Change to Bill	*- 1.00]*

Prepared by: Tricia Collins

MO# A 3

2 BURKE	Y	N	A
1 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS ____

MO# ____

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE ____ NO ____ ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Increase Travel Costs Funding (Insurance)

[LFB Summary: Page 350, #8]

CURRENT LAW

Staff in OCI's Bureau of Financial Analysis and Examination travel to insurance companies, both in-state and out-of-state, each year to perform examinations on companies' financial condition. In addition, the Bureau staff participate in NAIC activities which require out-of-state travel. In 1996-97, the agency budgeted $164,000 for in-state and out-of-state travel costs for the Bureau.

GOVERNOR

Provide $45,000 in 1997-98 and $55,000 in 1998-99 for increased funding for financial examiners' travel costs incurred when conducting financial examinations of domestic insurers.

DISCUSSION POINTS

1. The Bureau of Financial Analysis and Examination requested an operating budget allocation of $192,100 in 1996-97 for travel costs. The agency, however, reduced the Bureau's request to $164,000 in 1996-97 because, according to OCI, there were insufficient funds to meet the Bureau's entire request.

2. The Governor's recommendation would add $45,000 PR in 1997-98 and $55,000 PR in 1998-99 to OCI's base budget for additional travel costs funding for the Bureau, the amounts requested by OCI.

3. The Bureau's original internal request to OCI's budget office was for an increase of $9,600 PR in 1997-98 and $19,700 PR in 1998-99. These amounts of increase were based on 5% annual increases over the Bureau's requested operating budget amount for travel costs of $192,100. Since the Bureau's actual operating budget amount for travel was reduced to $164,000, the Bureau's 1997-99 budget request for increased travel costs was recalculated to the request for an increase of $45,000 PR in 1997-98 and $55,000 PR in 1998-99.

4. That recalculated request amount was developed in the following manner. First, the difference between the Bureau's original requested total travel budget amounts for 1997-98 and 1998-99 (which were based on the 1996-97 original operating budget travel cost requested amount plus a 5% annual increase for cost inflation) and the $164,000 that the Bureau was actually allocated in 1996-97 was computed. That indicated a difference of $37,700 in 1997-98 and $47,800 in 1998-99. That difference was one part of the revised requested amount. Second, an amount of $10,000 was added in each year to provide travel costs catchup for the reduced travel budget that the Bureau was given for 1996-97. The $10,000 annually was added to the $37,700 for 1997-98 and $47,800 for 1998-99. This resulted in an revised total request amount for increased travel funds for the Bureau of $47,700 in 1997-98 and $57,800 in 1998-99. Then, in the final request that was submitted to the Governor, these amounts were rounded to $45,000 for 1997-98 and $55,000 for 1998-99.

5. The agency indicates that recent budgeted and expended travel costs for the Bureau have been as follows:

Bureau of Financial Analysis and Examination
Travel Costs

Fiscal Year	Budgeted	Expended
1995-96	$156,800	$197,000
1994-95	174,600	139,000
1993-94	173,300	113,000
1992-93	170,100	135,900

6. It has been indicated by OCI that traveling to companies to perform examinations is crucial to accomplishing the examination's mission of the Bureau. However, notwithstanding this, in 1996-97, OCI reduced the funding the Bureau requested for travel costs rather than taking funding from other places with the agency's budget. Furthermore, the agency indicates that if sufficient funding is not available to conduct an exam in the preferred year it is deferred to a subsequent year. It could be argued that since the agency only provided $164,000 for base

funding for travel costs for the Bureau in 1996-97 that this is the base that should be used for calculating inflation costs adjustments to the agency's base funding travel.

7. Using the amount budgeted for by OCI for the Bureau's travel costs in 1996-97 ($164,000) and factoring in a 5% annual inflation rate would require an increase of $8,200 PR in 1998-99 and $16,800 in 1998-99 to the agency's base budget for inflationary increases over the Bureau's 1996-97 travel cost budget. Under this alternative, the Committee would not provide funding to restore the base budget shortfall caused by the internal reallocation of less funds for travel than the Bureau indicated was needed in 1996-97.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to increase the agency's base budget by $45,000 PR in 1997-98 and $55,000 PR in 1998-99 for increased travel costs for the Bureau of Financial Analysis and Examination.

Alternative 1	PR
1997-99 FUNDING (Change to Base)	$100,000
[Change to Bill	*$0]*

2. Adjust the agency's base budget to provide an increase in expenditure authority of $8,200 PR in 1998-99 and $16,800 PR in 1998-99 for inflationary increases in travel costs for the Bureau of Financial Analysis and Examination over its 1996-97 base budget.

Alternative 2	PR
1997-99 FUNDING (Change to Base)	$25,000
[Change to Bill	*- $75,000]*

3. Maintain current law.

Alternative 3	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $100,000]*

Prepared by: Tricia Collins

MO# Alt 2

2	BURKE	Y	N	A
	DECKER	Y	N	A
	GEORGE	Y	N	A
	JAUCH	Y	N	A
	WINEKE	Y	N	A
	SHIBILSKI	Y	N	A
	COWLES	Y	N	A
	PANZER	Y	N	A
1	JENSEN	Y	N	A
	OURADA	Y	N	A
	HARSDORF	Y	N	A
	ALBERS	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	LINTON	Y	N	A
	COGGS	Y	N	A

AYE 16 NO 0 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Expansion of Information Technology Internship Program (Insurance)

[LFB Summary: Page 350, #9]

CURRENT LAW

The Office of the Commissioner of Insurance (OCI) is a participant in the state minority student information technology employment program. The program operates an intern process which is designed to familiarize minority students with state IT jobs and thereby encourage minority students upon graduation to ultimately apply for information technology-related (IT) jobs in state government. In the summer of 1996, OCI hired its first student intern to provide personal computer use support to the agency's employes.

GOVERNOR

Provide $35,000 annually for increased LTE expenditure authority to provide funding for two half-time minority students to participate in the agency's minority IT internship program.

DISCUSSION POINTS

1. OCI has funded one IT intern from existing base funding since the summer of 1996. The intern position was funded at $11.568 per hour, plus costs of social security contributions. As an LTE, the intern may work up to 1,043 hours in a twelve-month period.

2. The agency requested funding in its 1997-99 budget request to allow it to fund two LTE intern positions with the expectation that each intern would work a maximum of 1,043 hours

per year for a term of two years. By having two half-time interns, the agency argued that it would in effect have the equivalent of 1.0 FTE of coverage for help desk type assistance for agency PC users. In its request, OCI indicated it expected to continue for one more year (in 1997-98) with the first student and also add another student. The agency based the request on the premise that by staggering the starting dates of the two students, OCI would be able to always have one student intern working who is familiar with the agency's infrastructure, while training the second intern. However, since the agency's request, the existing IT intern position has become vacant and OCI is in the process of hiring a new intern student.

3. The Governor's recommendation, which approved the agency's request, would add on-going funds to the agency's base for increased LTE funding of $35,000 PR annually to permit OCI to hire two minority students as IT interns. Funding would be provided annually as follows: $13,000 for LTE salary and fringe (social security contributions only) and $3,000 for training for a first-year intern and $15,000 for LTE salary and fringe and $4,000 for training for a second-year intern.

4. The Committee may wish to consider whether training dollars should be provided for IT interns. The principal goal of the intern program is to recruit minority students for state service in the IT field. While a second goal is for the interns to also provide a useful service to the agency users, these interns are limited-term employees and neither guaranteed a permanent position nor required to remain in state service upon completion of their term. Therefore, it could be argued that investing training dollars into the training of LTEs is not appropriate. Alternatively, one could assert that to better serve the agency, training relative to the agency's specific IT infrastructure and operating environment for each intern is needed. Guidelines for the intern program developed by DER indicate that "when necessary, they [the IT interns] should be included in all team training along with the agency employes."

5. The Committee could choose to not provide funding of $7,000 PR annually for training. Another alternative would be to provide training only for the one intern each year at the beginning of the two-year term. Under this alternative, the Committee could provide training funding of $3,000 PR annually.

6. Under OCI's request, assuming 1,043 hours of work per year, one intern position would be funded at a rate of $11.568 per hour, and the other at $13.347 per hour. OCI indicates that it used these rates because it was unsure at the time of its request what the appropriate pay rate would be in the next biennium. The agency now indicates that it would plan to increase the hourly pay in 1997-98 for the LTE positions to $13.651 because the previous comparative classified position title which OCI used to determine the hourly pay (minimum of the pay range) has been raised two pay ranges by DER.

7. The argument could be made that OCI could continue in 1997-99 to use base funding to support one IT intern LTE position. If the Committee feels that the agency's desire for a total of two intern positions is warranted, it could expect that OCI continue to use available

base funding to support one intern and the Committee could then approve increased expenditure authority of $15,000 PR annually for salary and fringe benefit costs for one additional intern position.

8. Alternatively, if the Committee agrees with OCI that staggering the starting dates of each of the two interns assuming a two-year commitment would provide more continuous PC help-desk type support for the agency, the Committee could provide funding starting in 1998-99 for a second intern position since otherwise OCI would have two new student interns in 1997-98. Under this alternative, the Committee could adjust the agency base to provide $15,000 PR in 1998-99 for an additional IT minority student intern with the agency continuing to fund one intern position out of its base funding.

ALTERNATIVES TO BASE

The alternatives are set forth below as two separate issues to be considered by the Committee, one set relating to increased expenditure authority for salary and fringe benefit funding for the interns and a second set relating to increased expenditure authority for training of interns.

Salary and Fringe Benefit Funding for Interns

1. Approve the Governor's recommendation to adjust the agency's base budget by providing $28,000 PR annually for increased LTE expenditure authority to provide salary and fringe benefit funding for two, half-time minority IT student interns.

Alternative 1	PR
1997-99 FUNDING (Change to Base)	$56,000
[Change to Bill	*$0]*

2. Adjust OCI's base budget by providing $15,000 PR annually for increased LTE expenditure authority to provide funding for an additional one, half-time minority student IT intern.

Alternative 2	PR
1997-99 FUNDING (Change to Base)	$30,000
[Change to Bill	*- $26,000]*

3. Adjust OCI's base budget by providing $15,000 PR in 1998-99 for increased LTE expenditure authority to provide funding for an additional half-time minority student IT intern beginning in 1998-99.

Alternative 3	PR
1997-99 FUNDING (Change to Base)	$15,000
[Change to Bill	*- $41,000]*

4. Maintain current law.

Alternative 4	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $56,000]*

Training Funds for Interns

5. *In addition to Alternative 1,* approve the Governor's recommendation to adjust the agency's base budget by $7,000 PR annually for increased LTE expenditure authority to provide funding for training for two half-time minority IT student interns annually.

Alternative 5	PR
1997-99 FUNDING (Change to Base)	$14,000
[Change to Bill	*$0]*

6. *In addition to Alternative 2,* adjust OCI's base budget by providing increased expenditure authority of $3,000 PR annually for training for one additional minority IT intern annually.

Alternative 6	PR
1997-99 FUNDING (Change to Base)	$6,000
[Change to Bill	*- $8,000]*

7. *In addition to Alternative 3*; adjust OCI's base budget by providing increased expenditure authority of $3,000 in 1998-99 for training of one additional IT intern beginning in 1998-99.

Alternative 7	PR
1997-99 FUNDING (Change to Base)	$3,000
[Change to Bill	*- $11,000]*

8. Maintain current law.

Alternative 8	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $14,000]*

Prepared by: Tricia Collins

MO# Alt 1 and 5

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
2 LINTON	Y	N	A
1 COGGS	Y	N	A

AYE 8 NO 8 ABS ____

MO# Alt 3 and 7

BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 13 NO 3 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Increased Funding for Actuarial Services (Insurance)

[LFB Summary: Page 351, #11]

CURRENT LAW

The Office of the Commissioner of Insurance (OCI) has a base budget of $100,000 PR annually for actuarial services contracted to assist in the agency's financial examination of insurance companies.

GOVERNOR

Provide $10,000 PR in 1997-98 and $20,000 PR in 1998-99 to reflect inflationary increases for the cost of actuarial services contracted to assist OCI financial examiners in examination of insurance companies.

DISCUSSION POINTS

1. In the past five years, OCI has expended between $80,000 and $110,000 annually for actuarial services to assist in financial examinations of the largest, most complex domestic insurers or for companies experiencing financial difficulties. The actuarial consultants are used to analyze such items as an insurance company's actuarial assumptions and methodology and to review the adequacy of a company's reserves. The table below shows the amounts expended for such actuarial services for the last five years.

Actuarial Services Contracts Cost

Fiscal Year	Expenditure Amount	Number of Companies Examined by Actuaries
1991-92	$101,400	4
1992-93	80,122	5
1993-94	99,893	4
1994-95	109,973	5
1995-96	86,617	6
1996-97	86,000*	N.A.

*Through April 30, 1997.

2. The Governor's budget would increase base level funding for the agency by $10,000 PR in 1997-98 and $20,000 PR in 1998-99 for anticipated inflationary increases in actuarial costs. DOA indicates that the agency's request for an increase of $25,000 PR in 1997-98 and in 1998-99 was reduced by the Governor to reflect a percentage increase in costs based on previous expenditures rather than a flat funding increase as requested by the agency.

3. The agency had requested increases of $25,000 PR annually on the basis that the expenditures for actuarial examinations of the then previous year's business (1994) had exceeded $100,000. The agency's request further stated that due to expected inflationary increases in the costs of such services, increased funding of $15,000 to $20,000 would be needed to purchase similar services in the 1997-99 biennium. However, as the above table indicates, there have been two years out of the past five years when final costs were substantially under $100,000.

4. It could be argued that the variations in actual expenditures in the last few years demonstrate an inconsistent basis for a need to increase the actuarial base budget at this time. The agency indicates that its base budget for this item has been at $100,000 for the last several years. Therefore, it would appear that in those years when expenditures exceeded $100,000, the agency was apparently able to reallocate funds from base resources to meet the increased costs in those years. Further, in the years that the expenditures were less than $100,000, the excess in budgeted funds for this purpose was available for other uses.

5. The Committee could not make any adjustment to the agency's base for increases in actuarial costs at this time. Under this alternative, if the agency were to, in either of the next two years, find that the projected total costs of such services for the number of companies for which it needs to obtain actuarial review services is going to exceed the budgeted levels in that year and that no other funding is available for this purpose within its base budget, OCI could request supplemental one-time funding under s. 16.515.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide an increase to the base budget of $10,000 PR in 1997-98 and $20,000 PR in 1998-99 for increased costs of actuarial audits.

Alternative 1	PR
1997-99 FUNDING (Change to Base)	$30,000
[Change to Bill	*$0]*

2. Maintain current law.

Alternative 2	PR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $30,000]*

Prepared by: Tricia Collins

MO#________________

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____